

Message Text

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PAGE 01 MEXICO 14060 260057Z POSS DUPE
ACTION ARA-14

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SUBJECT: U.S.-JAPAN ANNUAL CONSULTATIONS ON LATIN AMERICA

REF: STATE 212939

1. WE SUGGEST DEPARTMENT IN INTRODUCING SUBJECT OF
RELATIONS WITH MEXICO INCLUDE COMMENTS IN FOLLOWING
FIELDS:

A) ILLICIT PAYMENTS. MODUS OPERANDI IN BUSINESS-
GOVERNMENT RELATIONSHIPS IN MEXICO MAKE THIS COUNTRY
PARTICULARLY SUSCEPTIBLE TO ILLICIT PAYMENTS PROBLEMS.
THERE ARE SOME INDICATIONS THAT U.S. FIRMS FEEL
INCREASING SQUEEZE BETWEEN NORMAL BUSINESS METHODS HERE
AND INCREASING USG PRESSURE AGAINST ILLICIT PAYMENTS.
WE HAVE HEARD THAT JAPANESE EMBASSY HERE HAS GIVEN
PARTICULAR ATTENTION TO THIS PROBLEM.

B) FOREIGN DIRECT INVESTMENT. IT WOULD BE INTERESTING
TO HEAR GOJ COMMENTS ON HOW JAPANESE INVESTORS COPE
WITH VARIOUS MEXICAN LAWS AND REGULATIONS AFFECTING
FOREIGN INVESTORS. GOM SOURCE HAS INDICATED TO US THAT
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JAPAN HAS SUCCESSFULLY USED PRESSURE (E.G. THREELING
TO WITHHOLD PURCHASES OF MEXICAN COTTON) TO GET FAVORABLE
CONSIDERATION OF REQUEST FOR EXEMPTION FOR NISSAN FROM
GENERAL REQUIREMENT THAT NEW INVESTMENTS HAVE MAJORITY
MEXICAN OWNERSHIP. JAPANESE COMMENTS ON HOW THEIR
INVESTORS HAVE REACTED TO PATENTS AND TRADEMARKS LAW AND
TO AUTOMOBILE INDUSTRY REGULATIONS CONCERNING LOCAL

CONTENT AND EXPORTS WOULD ALSO BE OF INTEREST.

C) TRADE. JAPANESE HAD VERY HEAVY POSITIVE BALANCE IN TRADE WITH MEXICO IN FIRST HALF OF 1978, ALMOST DOUBLING THEIR EXPORTS TO MEXICO OVER PRIOR YEAR. WE ASSUME PRINCIPAL FACTOR IS SALES OF LARGE PIPE FOR GAS TRANSPORT. IT WOULD BE USEFUL TO KNOW JAPANESE PROJECTIONS OF FUTURE TRADE WITH MEXICO AND IN PARTICULAR HOW THEY BELIEVE STEADY RISE IN VALUE OF YEN WILL AFFECT THEIR POSITION IN MEXICO. DEPARTMENT MIGHT ASK GOJ TO ASSIST IN POINTING OUT BENEFITS OF FULL MTN PARTICIPATION AND GATT ACCESSION.

D) ENERGY. GOM WANTS EVENTUALLY TO REDUCE U.S. SHARE OF MEXICAN OIL EXPORTS TO 60 PERCENT, WITH EUROPE AND FAR EAST EACH TO TAKE 20 PERCENT. TRANSPORTATION COSTS APPEAR TO BE BARRIER TO SUCH SALES TO JAPAN. GOJ COMMENTS WOULD BE INTERESTING.

2. WE ASSUME DEPARTMENT WILL DESCRIBE BILATERAL CONSULTATIVE MECHANISM AND ITS FIRST YEAR OF ACCOMPLISHMENTS. MCANINCH

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